

Office of Inspector General

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/Decrease	Percent Change
Salaries and Expenses	\$16,957	\$18,450	\$19,356	\$906	4.9%
Audit	11,639	12,658	13,280	622	4.9%
Investigations	5,318	5,792	6,076	284	4.9%
Subtotal, Office of Inspector General	\$16,957	\$18,450	\$19,356	\$906	4.9%
Offsetting Collections - Reimbursables	1,731	6,300	6,300	0	0.0%
Total Program Operating Level	18,688	\$24,750	\$25,656	\$906	3.7%

Explanation of Request

The FY 2009 President's Budget request for the Office of Inspector General (OIG) will be used to provide critical audit and investigative services, ensuring the effectiveness and integrity of Treasury's programs and operations. The OIG will continue, as the first audit priority, to address mandated requirements related to financial statements, information security, and as necessary, failed financial institutions resulting in material losses (more than \$25 million) to the deposit insurance funds. While there are a number of critical areas where the OIG will provide audit oversight, highlights of three of the Department's most serious management challenges where the OIG will focus resources include:

- Improving regulatory gaps in the detection of and/or timely enforcement action against financial institutions for Bank Secrecy Act (BSA) and related violations, and strengthening Office of Foreign Assets Control (OFAC) compliance examinations for the institutions examined by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS).
- Improving the Department's compliance with information technology security policies, procedures, standards, and guidelines as required by the Federal Information Security Management Act (FISMA).
- Improving Treasury's management of large acquisitions of systems and other capital investments to prevent costly or failed acquisition projects.

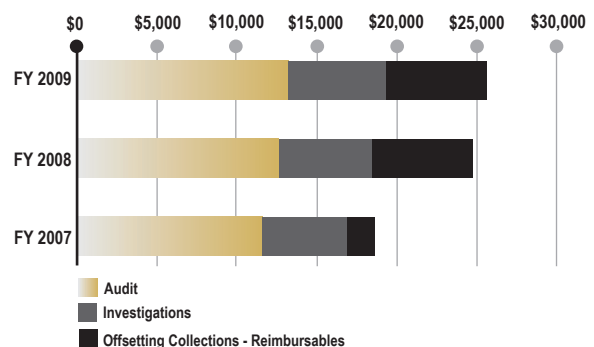
The requested funding will also allow the OIG to continue to prevent fraud, waste and abuse at all non-IRS Treasury bureaus and offices, including investigating complaints of alleged employee misconduct, allegations of fraud and other crimes involving Treasury programs, performing oversight of the Treasury's police operations at the Bureau of Engraving and Printing and the U.S. Mint, and conducting proactive efforts to detect, investigate, and deter electronic crimes and other threats to the Department's physical and cyber critical infrastructure.

Additional resources provided in the 2009 Budget request will enable OIG to hire two auditors and one investigator to assist in the oversight of the critical management challenges cited above.

Total resources required to support OIG activities for FY 2009 are \$25,656,000, including \$19,356,000 from direct appropriation, and \$6,300,000 from offsetting collections and reimbursable programs.

OIG Funding History

[Dollars in Thousands]



Purpose of Program

The Treasury OIG plays a major role in support of the Department of the Treasury's goal to ensure exceptional accountability and transparency, to protect the integrity of the Department, and to improve overall efficiency and effectiveness in Treasury programs and operations. The OIG conducts audits and investigations of eight Treasury bureaus and all non-IRS Treasury offices in accordance with the Inspector General Act, as amended, to (a) promote economy, efficiency, and effectiveness in the administration of Treasury programs and operations, (b) prevent and detect fraud, waste, and abuse in Treasury programs and operations; and (c) keep the Secretary and the Congress fully and currently informed about problems, abuses, and deficiencies in Treasury programs and operations.

Beginning in FY 2008 audited bureaus and offices will no longer fund contract audit work directly. Instead, they will route funding to contract audit firms through the OIG to allow for more efficient and effective contract oversight. As the result of this change, these agreements will significantly increase the amount of reimbursable funding included in the OIG budget documents and financial reports; however, none of these reimbursable funds will be used for OIG programs and operations.

OIG FY 2009 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	\$18,450
Changes to base:	
Maintaining Current Levels (MCLs):	\$506
Non-Pay Inflation Adjustment	87
Pay Annualization	101
Pay Inflation Adjustment	318
Subtotal FY 2009 Changes to Base	\$506
Total FY 2009 Base	\$18,956
Program Changes:	
Program Increases:	\$400
Increased Audit & Investigative Capability	400
Subtotal FY 2009 Program Changes	\$400
Total FY 2009 President's Budget Request	\$19,356

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for OIG is \$18,450,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +\$506,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of \$101,000; proposed January 2009 pay raise of \$318,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$87,000.

Program Increases

Increased Audit & Investigative Capability +\$400,000 / +3 FTE This initiative provides funding for two auditors and one investigator. These FTE will enable OIG to improve audit coverage in high risk programs such as programs to combat terrorist financing and money laundering, management of capital investments, particularly IT projects, and IT system security in meeting FISMA and OMB requirements. These additional FTE will help to reduce investigative caseload.

Explanation of Budget Activities

Salaries and Expenses

Audit (\$13,280,000 from direct appropriations and \$6,300,000 from reimbursable programs)

The Office of Audit conducts audits of eight Treasury bureaus and all non-IRS Treasury offices; produces more than 50 reports annually; and provides firsthand, unbiased perspectives and recommendations for improving the economy, efficiency, and effectiveness of Treasury programs and operations. The Office of Audit often identifies significant cost savings to the government, principally through self-initiated audits.

The Office of Audit also responds to requests by Treasury officials and the Congress for specific work. While Congress requires certain audits be conducted every year, the number of additional congressionally-required and requested audits has increased in recent years.

Investigations (\$6,076,000 from direct appropriations) The Office of Investigations prevents, detects and investigates complaints of fraud, waste and abuse at eight Treasury bureaus and all non-IRS Treasury offices. This includes the detection and prevention or deterrence of employee misconduct and fraud, or related financial crimes within or directed against Treasury. The Office of

Investigations refers its cases to the Department of Justice and state or local prosecutors for criminal prosecution or civil litigation, or to agency officials for corrective administrative action.

Legislative Proposals

The OIG has no legislative proposals for FY 2009.

OIG Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Audit	Number of completed audit products (Ot)	54	57	64	✓	56	60
Audit	Percent of statutory audits completed by the required date (%) (E)	100	100	100	✓	100	100
Investigations	Number of investigations referred for criminal prosecution, civil litigation or corrective administrative action. (Oe)	85	144	188	✓	105	105

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance

In FY 2007, the Office of Audit performed or supervised contractors to meet mandated audit requirements. The Office of Audit worked with the Department and focused a substantial amount of its self-initiated audit resources to address the major management and performance challenges identified by the Inspector General. Those challenges were (1) Corporate Management, (2) Management of Capital Investments, (3) Information Security, (4) Linking Resources to Results, and (5) Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement. The Office of Audit completed 64 audit products, and met all statutory completion requirements.

In FY 2007, the Office of Investigations continued investigating all reports of fraud, waste and abuse and

other criminal activity. The Office of Investigations also continued to conduct a limited number of proactive integrity projects such as the fraudulent improper payments project initiated in FY 2006. The Office of Investigations referred 188 cases for criminal or civil litigation or corrective administrative action. This included 64 one-time referrals as the result of a GSA investigation into Metrocheck fraud, and 10 one time referrals from a cyber initiative.

FY 2009 requested resources will allow OIG to maintain its performance at a consistent level, and will continue to direct the majority of its resources to auditing Treasury programs that combat terrorist financing and money laundering, including a number of important audits at FinCEN, OFAC, OCC, and OTS. The OIG expects to complete 60 audit products and refer 105 investigations in FY 2008.